

# The nature of social services in Hong Kong

*Sam W.K. Yu*

## **Introduction**

The spectacular economic performance of East Asian newly industrializing economies increasingly attracts the world's attention and has become an important research area. Parallel to the economic recovery of western countries after the Second World War, Taiwan, Hong Kong, Singapore and South Korea emerged as important exporters of labour-intensive manufacturing goods (Dixon and Drakakis-Smith, 1993). Moreover, in contrast to western countries, they have maintained their economic success in the 1980s and the 1990s. According to Chowdhury and Islam (1993), the per capita GNP of Hong Kong and Singapore is close to that of West European developed countries whereas Korea and Taiwan's per capita GNP is three to four times the average GNP of the upper middle-income developing countries in the early 1990s.

These success stories have been used by some economists as examples of the superiority of private market-led economic development. Friedman and Friedman (1980) argued that those Asian economies which put emphasis on the private market enjoy economic success while those which put emphasis on central planning have stagnated. When depicting the economic situations of Japan and the four newly industrializing economies, Chen (1979: 83–4) argued that 'State intervention is largely absent. What the state has provided is a suitable environment for entrepreneurs to perform their functions.' However, this analysis is challenged by other social scientists. Vogel (1991) showed that the Taiwanese government involves itself heavily in high-tech development and heavy industries such as nuclear power plant, steel-making and shipbuilding. Fong (1990) recorded that Singapore has nearly 500

---

Dr Sam W.K. Yu is Lecturer in the Division of Social Studies, City University of Hong Kong, Tat Chee Avenue, Kowloon, Hong Kong.

*International Social Work* (SAGE, London, Thousand Oaks, CA and New Delhi), Vol. 39 (1996), 411–430.

government-owned companies and statutory boards responsible for steel mills, electronics, oil refining, hotels, shipbuilding, repairing, shipping, financial services, air transport and property development.

It is worth noting that the governments of the East Asian newly industrializing economies not only intervene in economic activities. They also play a significant role in providing and subsidizing social services. The Singapore government has run one of the largest central provident fund schemes and public housing programmes in the world. While Hong Kong has a reputation as the paradise of laissez-faire capitalism (Woronoff, 1986), its government takes significant responsibilities for providing social services. In Hong Kong, there are comprehensive systems of public education and public health (Schiffer, 1991; Youngson, 1982). Its public housing programme ranks second in the world in terms of the percentage of the total population living in household units provided by the government (Castells et al., 1990). In view of these facts, it is reasonable to speculate that social services play a significant role in at least some Asian newly industrializing countries (NICs).

This paper focuses on studying the nature of social services in Hong Kong. It concentrates on dealing with several key issues — the government's attitude to social services, the contribution of social services to capitalism, the decommodifying effects of social services and the government's response to these effects.

Certainly Hong Kong, South Korea, Taiwan and Singapore have great differences in historical experience, economic structure and geographical situation (Dixon and Drakakis-Smith, 1993). The experience of Hong Kong cannot be wholly applied to other Asian NICs. However, Hong Kong is an important Asian newly industrializing economy in terms of economic performance. Its GDP per head in 1991 was \$18,520, which was even higher than that of France and Sweden (*South China Morning Post*, 1994: 13). From 1975 to 1993, its GDP growth rate averaged 16.19 percent (Leger, 1994). The Hong Kong government, moreover, is assumed to be a sincere believer in laissez-faire values. Chowdhury and Islam (1993: 24) have pointed out: 'There is a general consensus among observers of NIEs that the governments of the NIEs (except in Hong Kong) are interventionists.' Thus it is logically assumed that the private market dominates economic development and consequently people's lives. In fact, Hong Kong is often used as the showcase of laissez-faire capitalism. For example, Friedman and

Friedman have highlighted:

In today's world big government seems pervasive. We may ask whether there exist any contemporaneous examples of societies that rely primarily on voluntary exchange through the market to organise their economic activity and in which government is limited . . . Perhaps the best example is Hong Kong. (1980: 34)

In view of the above assumptions, it is believed that while Hong Kong cannot represent other East Asian newly industrializing economies, the study of Hong Kong can make some contributions in testing the belief of the neo-classical economists that the private market plays a dominant part in promoting the economic success of the East Asian countries and shaping people's way of life.

### **Discussion of the Hong Kong government's attitude to social services**

Hong Kong has been the UK's colony since 1841. It has a strong state bureaucracy: senior civil servants have predominantly influenced the enactment of law and the policy-formulating process. There is an absence of any popularly elected legislature or political parties to provide a check on them (Bacon-Shone and Burns, 1985). Moreover, the government is responsible for providing and financing the majority of social services. Given that political power is highly concentrated in the hands of the bureaucrats, it is important to examine the government's attitude to social services if we want to understand the nature of social services in Hong Kong.

Hong Kong is often regarded as a golden goose for laying eggs rather than a living place for human beings. It was acquired by the UK not as a settlement for the British, but mainly for setting up a diplomatic, commercial and military post in order to secure trade with China (Kuan, 1979). The Hong Kong government is much more concerned with establishing a profitable investment environment for the private sector, especially British firms, than with fulfilling any political and cultural ideals. That is why it always stresses that the private sector and the private market should take a leading role in meeting people's needs (Hong Kong Hansard, 1962: 133).

Because of this background, many classical economists have come to believe that the Hong Kong government is a defender of laissez-faire values (Friedman and Friedman, 1980; Rabushka, 1979).

To a certain extent, their viewpoints are supported by facts. First, government officials openly stress the importance of the private market. The basic foundation of the government's financial policy was laid by two former Financial Secretaries, Sir John Copperplate and Sir Philip Haddon-Cave. Both openly showed their preference for the private market.

It is still the better course to rely on the nineteenth century's hidden hand than to thrust clumsy bureaucratic fingers into its sensitive mechanism. (*Hong Kong Hansard*, 1962: 133)

The Government adheres to a philosophy of positive non-interventionism, that is to say, we take the view that it is futile and damaging to the growth rate of the economy for attempts to be made to frustrate the operation of market forces, particularly as it is so difficult to predict, let alone control, market forces applicable to an open economy. (*Hong Kong Hansard*, 1976-7: 827-30).

Second, the government's reliance on the private market is shown in its actual policies. There are numerous features that make Hong Kong a living example of *laissez-faire* values — absence of a central bank, almost negligible public debt, a low rate of direct tax, free movement of capital, non-existence of tariffs and other restrictions on imports and exports, limited regulation of working conditions, absence of minimum wages, no unemployment insurance, no tax holidays, no loans to small firms and no rent controls on industrial premises (Castells, 1992; Owen, 1971; Lau, 1982).

Third, the government has also expected the family to act as the primary institution for taking care of people. In the first White Paper on Social Welfare in 1965, the government particularly highlighted the responsibility of the family for solving social problems:

... in Chinese tradition, social welfare measures which individuals may need on account of poverty, delinquency, infirmity, natural disaster and so on are regarded as personal matters which at least in theory ought to be dealt with by the family, if necessary the extended family. It is clearly desirable, on social as well as economic grounds, to do everything possible in Hong Kong to support and strengthen this sense of family responsibility. (*Hong Kong Government*, 1965:6)

The Hong Kong Government Office in Britain put forward a similar viewpoint in 1976:

... the family is the central element in Chinese life and traditionally Chinese have been brought up to regard the loyalty they owe to their family as paramount. In Chinese society, the unit is not the individual but the family ... The average Chinese thinks first of his primary duty of supporting, strengthening and protecting his family which he sees as a thread reaching into the past through his ancestors and continuing into the future through his descendants. (Hong Kong Government Office, 1976: 5)

There has been a major change in the family system since the 1960s. The extended family has been gradually replaced by the nuclear family system (Wong, 1975), thus weakening the family's capacity for caring for its members. But despite this fact, the government still regards the family as the main care provider. It therefore continues to reinforce rather than replace the role of the family in giving care to the needy. In the White Paper, *Social Welfare into the 1990s and Beyond*, it stresses:

... the overall objectives of family welfare services are to preserve and strengthen the family as a unit and to develop caring interpersonal relationships, to enable individuals and family members to prevent personal and family problems and to deal with them when they arise and to provide for needs which cannot be met from within the family. (Hong Kong Government, 1991: 19)

Because of the above facts, it seems reasonable for neo-classical economists to believe that the Hong Kong government is an upholder of laissez-faire values. However, their viewpoint is challenged by other social scientists. According to Youngson (1982: 132): 'Hong Kong and laissez-faire have only an occasional acquaintance.' Clark (1988) goes further to say that laissez faire, if it ever really existed in a classical sense in Hong Kong, is already dead. In fact, in the sphere of collective consumption and public infrastructure government, intervention is pervasive. The intervention includes setting a rice-control scheme to maintain a steady supply of rice to customers at reasonable prices, regulating the wholesale cooperative marketing organization for local vegetable and marine water fish, designing a profit-controlling scheme for public transport and public utility, directly providing medical, housing and education services, organizing the distribution of export quotas allowed under the MultiFibre Agreement among different companies in the textile industry, establishing the Hong Kong Productivity Centre and the Hong Kong Trade Development Council for running training programmes, promoting exports and helping the development of technology services (Schiffer, 1991;

Youngson, 1982; Castells, 1992). Statistics also show that government intervention in the economy and society has been considerable in the period since the Second World War. Castells (1992) recorded that while GDP grew by a factor of 13, government expenditure in social welfare grew 72 times. From 1966 to 1993, government expenditure increased from HK\$1806m to HK\$127,298m. It is particularly necessary to highlight the government's role in the housing services because its involvement in this area is even more spectacular. Since the 1950s, it has undertaken a massive public housing programme. In 1993, about 2.9 million people representing about 52 percent of the population were living in various types of public housing (Hong Kong Government, 1993). Li and Yu (1985) estimated that income transfer in kind to the average public housing tenants amounted to 70 percent of household income. This means that the government not only takes considerable responsibility for people's housing needs but also helps the tenants to maintain their standard of living at a reasonable level.

In view of these points, it is quite difficult to believe that the Hong Kong government is a sincere believer in *laissez-faire* values. Its intervention in the economy and society is well beyond the limit of the *laissez-faire* ideal.

### **Implications of this debate concerning the government's attitude to social services**

The debate among social scientists of different schools about the government's attitude to *laissez-faire* values and social services clearly shows the government's inconsistency between what it professes and what it practises. While it openly associates itself with *laissez-faire* values, it has continued to expand social and public services over the past few decades.

Certainly it is very rare for governments to be concerned only with ideological factors. They also have to take care of political reality. Social services have the function of promoting capital accumulation and securing political legitimacy. Few capitalist governments, including right-wing ones, can nowadays afford to rule without providing social services. In view of the facts produced by both the classical economists and their opponents to support their views on the Hong Kong government's attitude to social services, it is found that the government extensively intervenes in some areas while maintaining a low profile in others. The important point is

that paradoxically extensive intervention is closely related to a low intervention policy. The extensive intervention in practice is significant in maintaining Hong Kong's prosperity and stability. It contributes to the maintenance of stable industrial relations, nourishing a sense of belonging among Hong Kong people (Hopkins, 1971), it promotes reproduction of labour (Castells, 1992), it keeps labour wages at a low level to maintain the competitiveness of Hong Kong products in international markets (Schiffer, 1991; Li and Yu, 1985) and it provides a safety net so as to encourage people to initiate risk-taking entrepreneurial activities (Castells, 1992). All these contributions serve to secure capital accumulation. From 1966 to 1993, the GDP at constant (1980) market prices and per capita GDP at constant (1980) market prices respectively increased by almost 596 percent and 327 percent — from HK\$43,669 to HK\$303,845m and from HK\$12,030 to HK\$51,334. This impressive economic growth in turn serves to strengthen the public perceptions of the government's legitimacy irrespective of any lack of democratic process. It is important to highlight that the impressive performance of the Hong Kong economy and its long period of industrial and social peace have benefited not just industrialists and capitalists but also the government. It gets handsome revenues from the economy to finance its involvement in the areas of collective consumption and infrastructures and at the same time is able to sustain a low tax rate, a budget surplus and negligible foreign indebtedness (Schiffer, 1991). Given that the low tax rate and budget surplus are the two main manifestations of limited government intervention, it is suggested that the government's maintenance of its low intervention policy in some areas depends on its extensive intervention policy in others.

In addition, the social services also play an important role in securing the legitimacy of the government's rule. In general, there are two ways a ruler can gain legitimacy. The first is to obey some formal principles such as passing the test of general elections or obeying the rules of the constitution. The second is to improve the social and economic conditions of the ruled. Offe (1984: 145) has highlighted: 'the preference for democratic government is not based on the rules themselves but on the expectation that this form of government will contribute to common and individual welfare and other desirable ends'. The Hong Kong government is an undemocratic one. It therefore cannot rely on the first method to gain legitimacy. Hence it largely relies on the second method to

increase its political acceptability. Its main tool is social welfare. Although the Hong Kong government always wants to limit its intervention in society and economy, it is prepared to improve the social and economic conditions of the public when its rule is challenged. The early 1970s were the turning point in the development of social services. The government expanded the education, family, social security and housing services at a fast speed. There is almost a consensus among social scientists that the breakthrough was due to serious riots in 1966 and 1967, which brought the greatest political crisis to the government since the end of the Second World War. Since the government felt that its rule had been threatened, it tried to appease the public by improving their economic and social lives. The Governor in his 1973 opening address to the Legislative Council called education, medical care, housing and social welfare the four pillars of society (Maclehose, 1973). Behind this description lay the Governor's expectation that the social services could help to build a sense of community and greater social integration among Hong Kong people.

In 1984, Hong Kong entered its final period as a British colony. With the signing of the Sino – British Agreement, the UK agreed to hand over the sovereignty of Hong Kong to China. To prepare Hong Kong to become a Special Administrative Region in 1997, the Hong Kong government initiated constitutional reforms. The most obvious and significant changes are the composition of the Legislative Council which is responsible for passing ordinances and approving the government's budget. In 1985, the government introduced the method of indirect election for choosing 24 councillors. In 1991, the election system in the Legislative Council developed further. Of the 60 seats, 21 were indirectly elected while 18 were directly elected by the people from 9 geographical constituencies. In 1995, the seats for direct election were increased to 20. The political reforms provided opportunities for the liberals to seek power. The transitional period in Hong Kong witnessed the rise of a number of liberals fighting for more democracy. They formed political parties in the late 1980s and early 1990s — Meeting Point, Hong Kong People's Association for Democracy and People's Livelihood and the United Democrats of Hong Kong. These parties enjoyed impressive success in the 1991 Legislative Council election. They gained 15 out of 18 directly elected seats. According to Scott's estimation, the United Democrats alone gained 45 percent of the total vote (Scott, 1991).

However, it is important to note that the entry of the liberals into the Legislative Council and the democratization of the political system do not mean that the Hong Kong government can rely more on general formal principles to secure legitimacy of its rule. Reforms in the authority of the Legislative Council lagged far behind the changes in the composition of the Legislative Councillors. The Legislative Council by nature remains an advisory body of the government. The legislators have power neither to employ nor to sack any senior civil servants. Nor do they have the power to make policy. The Governor even has power to reject any bill passed by the Legislative Council. Moreover, only 20 out of 60 legislators are directly elected. Hence, when the liberals entered the Legislative Council, they did not share power or responsibility with senior government officials. The only area in which they can gain political credit has been to criticize the government's policies. These political activities have led to a weakening rather than strengthening of the government's legitimacy. For example, the wave of criticisms launched by the democrats in opposing the government over the Daya Bay nuclear plant in 1986, the Public Order Bill in 1987, the double rent policy in public housing services in 1992 and the loss of the old age pension scheme in 1995 undermined the confidence of the public in the Hong Kong government.

Since the constitutional reforms have created more critics than supporters in the political institutions, the Hong Kong government still needs to rely on improving people's quality of life to maintain its legitimacy. This fact is shown by the subvention of the Social Welfare Department to the voluntary agencies. Since most of the social welfare services are taken up by the voluntary agencies, the amount of subvention is an important indicator of the expansion of social welfare. The subvention of the Social Welfare Department to the voluntary associations increased from HK\$ 267 millions to HK\$ 2630 millions from 1982 to 1994 — a growth rate of almost 885 percent (Wong, 1994). Certainly, it is difficult to prove that the government expands social welfare mainly to gain legitimacy. But the expansion of social welfare can bring this result.

However, it is important not to overestimate the power of liberals in discrediting the government and thus pushing the government to expand the social welfare programme. First, as mentioned earlier, the social services had an impressive growth rate even before the 1980s. In fact, the government's subvention to the voluntary associations from 1972 to 1982 also showed a high growth

rate — 1235 percent. Second, most of the liberals were made up of middle-class intellectuals and professionals (Lau, 1987). Many of them enjoyed high social mobility mainly on an individual basis rather than a collective basis. They achieved high status and high income mainly because their knowledge and expertise were in demand in the private market. Economically, their livelihood owed much to the capitalists, industrialists and the government. Thus even though they advocated some expansion of social welfare so as to promote a certain degree of equality, it is unlikely that they intended to make fundamental changes in the capitalist system.

Theoretically speaking it is possible to say that the Hong Kong government spent more money on social services because the liberals continuously criticized its policy and undermined its legitimacy. But it is difficult to assess the precise influence of the liberals.

The above discussion shows that the Hong Kong government is a pragmatic government. By securing the functions of social welfare for promoting capital accumulation and the legitimacy of its rule, it may allow some discrepancies between belief in *laissez-faire* values and its actual practices. But one should be careful not to over-emphasize its pragmatic characteristics. If the government is concerned only with political reality, it has no need to give support openly to *laissez-faire* values. Hence it is quite wrong to think that the ideological factor has little significance. Rather it occupies an important position in social welfare policy. That is why even though social services are so essential to promoting capital accumulation and political legitimacy that the government has to expand welfare programmes more than the *laissez-faire* ideal would allow, it still lays stress on the ideological superiority of the private market. It is important to note that the provision of social services is not simply a transaction of material services. It also involves the production of particular social relations usually underpinned by such welfare values as citizen rights, altruism and equality (Wong, 1992). But since the government has a clear preference for market forces and values the practices of social welfare only in so far as they secure the economic prosperity and political stability of Hong Kong, it is reasonable to believe that the government may not endorse the 'infrastructure' of social services — the welfare values. To the government, the provision of social services is not an end in itself. It is mainly a means to achieve other economic and political goals. This pragmatic attitude towards social services affects not only the

development of welfare values but also the nature of social services. The government continuously reconstructs the nature of social services to maximize their contribution to and minimize their adverse effects on capitalism.

### **The Hong Kong government's response to the decommodifying effects of social services**

Social services have an ambivalent relation with capitalism. At the same time as strengthening capitalism, they also create decommodifying effects — individuals and families can sustain a socially acceptable standard of living independently of market participation (Esping-Andersen, 1990). These decommodifying effects have been discussed by a number of right-wing investigators — undermining the work ethic, discouraging risk-taking investment (Minford, 1987), causing socially irresponsible behaviour, creating dependency (Murray, 1990) and encouraging pressure groups and bureaucrats to seek self-interest (Hayek, 1944; Olson, 1982).

In order to reduce the challenge of social services to capitalism, capitalist governments, especially the right-wing ones, try to limit their scope and keep their status subordinated to economic policies. As early as the 1970s, Titmuss (1974) had criticised the 'handmaiden model' of social policy. Walker (1984) points out that the artificial apartheid between social policy and economic policy assigns to social policy an impossible task of 'solving' social problems such as unemployment, ill-health and bad housing without challenging economic relations and economic systems. In the 1980s and the 1990s, the Thatcher and Major governments in the UK developed a series of strategies of inequality, cutting social expenditure, initiating subsidized privatization, replacing universal benefits with selective ones, reducing taxation and promoting centralization of resource control combined with decentralization of operational responsibility. All these served to reduce the decommodifying effects of social services on capitalism (Walker, 1990).

The Hong Kong government is also wary of the decommodifying effects of social services. It expresses its concern about the possible challenges of social services to market values in both official documents and public speeches by officials. In the White Paper, 'Social Welfare into the 1990s and Beyond', it has stressed that social services should be improved without 'creating the sort of dependency culture that has emerged in some developed industrialized societies, a phenomenon that removes the incentive to work and

undermines the productive engine of the economy' (Hong Kong Government, 1991: 14).

Sir Philip Haddon-Cave, the former Financial Secretary, expressed a similar view:

... a reliance on the efficiency of the resource-allocation function of the market mechanism... would not suffice to ensure that our economy continually adjusted to changing external circumstances and achieved a strong growth momentum. What is required, in addition, is the existence of a belief in the virtues of individual ownership linked with a strong work ethic and acceptance of the concept of reward. (Haddon-Cave, 1980: xiii)

In view of these quotations, it is clear that the government is wary of the potential decommodifying effects of social services, and it suspects that they may create a dependency culture threatening market values. In order to reduce these adverse effects, the government tries to limit the scope of services, keeping them as an adjunct to the capitalist economy. As mentioned before, the government keeps a flexible attitude to social services. It allows them to expand more than *laissez-faire* ideals would allow, but this flexibility is not without limits. In some areas the government makes no concessions or compromises. I call these the 'prohibited areas' of social welfare development. They include a low direct tax rate, a budget surplus, the subordination of social policy to economic policy and strong government.

#### *Low direct tax rate and budget surplus*

Between 1949 and 1994, there were only six financial years marked by deficits. A long period of maintaining a policy of budget surpluses is often regarded as an exceptional feature by some economists (Sung, 1986). On the other hand, direct taxes in Hong Kong included earnings and profit tax and estate duty. Their rates were low. For example, the standard rate of tax on income and profits was 12.5 percent from 1951 to 1966 (Ho, 1979). In 1994, the standard rate of income tax was 15 percent while profit tax was 16.5 percent. The government made its preference for low direct tax rates very clear:

Hong Kong has learned by experience that relatively modest levels of taxation, which are capable of being collected, produce more revenue in the long run than higher and more onerous rates since they give encouragement to economic expansion. This low tax philosophy will continue to be our guide. (Hong Kong Government, 1987: 17)

*Subordination of social policy to economic policy*

Despite the fact that there has been a substantial development of social services since the 1960s, the status of social policy is still low. It has been claimed that the government saw social services as a charitable, non-productive burden borne on the back of the productive institutions of the economy (Hodge, 1981). For example, when discussing the future development of social security in the 1960s, it pointed out: 'the introduction of any further elements in a social security programme would require very careful consideration of the potential effects on the economy' (Hong Kong Government, 1965: 7).

Hence, in order to reduce the burden on the economy, the government aims to provide only 'minimum public assistance' for those who 'are demonstrably unable to fend for themselves' (Hong Kong Government, 1965: 8). This official attitude to social services has also been made explicit by Sir Philip Haddon-Cave (the former Financial Secretary). According to him, social services should not hamper economic growth. Thus the development of social services should be limited and prevented from adversely affecting economic development. In fact, on another occasion, Sir Philip Haddon-Cave stated this viewpoint in more detail:

The plain fact is a fiscal system which is pitched as low as possible so as to minimize its impact on the supply of human effort and investment decisions cannot afford to finance costly overheads. For this reason, in a low tax environment, not only is the pursuit of equity ... for its own sake unnecessary, it is also not possible. (Hong Kong Hansard, 1976-7: 19)

Furthermore, social policy is assumed to have limited functions. This assumption is shown in some examples. In 1975 and 1976, the Hong Kong economy was in depression. The government could have used reserve funds to build more public housing to alleviate the unemployment problems and stimulate the economy. But it refused to do so, for it did not recognize the functions of public spending in stimulating the economy, and therefore ignored the fact that spending on social services could be an effective tool to deal with economic problems. Moreover, 'economic' objectives (usually narrowly conceived as promoting economic growth and dealing with problems like inflation and stagnation) are regarded as more important than 'social' objectives (usually narrowly conceived as solving social problems). To meet the former, the govern-

ment sometimes sacrificed the latter. There were several occasions when the development of social services was cut back when the economic future was not certain. As well as in the mid-1970s, the government made cuts in 1966, 1967 and 1983 (Sung, 1986). In fact, given that the government regards social services mainly as an expenditure rather than an investment, it is quite natural for it to cut them when it finds it necessary to secure economic growth or deal with an economic crisis. In order to boost people's confidence in Hong Kong's future, the government in the 1990s has continued to expand the social services. However, even more money is spent on economic projects with the same objective. Judging from all these factors, it is evident that the development of social services in Hong Kong is always subordinated to economic development.

### *Strong government*

The Hong Kong polity is an administrative state as all decision-making processes in the political structure are dominated by bureaucrats (Harris, 1978). The three decades since the Second World War bear witness to the fact that bureaucrats are eager to maintain their political privileges. After the riots of 1966 and 1967, the government tightened the laws against public disorder. The harsh nature of these laws was eventually felt by people in 1979. In that year a group of petitioners, including social workers and boat people squatting in the typhoon shelter, were arrested for launching petitions without permission (Society For Community Organisation, 1982). That incident indicated that the government did not hesitate to use stern measures to silence its opponents. Moreover, it is unfriendly, if not hostile, to pressure groups and trade unions. All interest groups are required to register with the Registrar of Societies via the Commissioner of Police. This indicates that the government mainly relies on the police force to manage pressure-group activities. Moreover, if people join groups that have not been registered, they may be fined or imprisoned (Lo, 1988). In the late 1970s, news was leaked that the government had set up a secret committee called the Standing Committee on Pressure Groups to maintain a close watch on them (Lo, 1988). Its main duty was to undermine, co-opt or coerce influential pressure groups (Lo, 1988). Moreover, the trade union laws in Hong Kong have long been strict. For example, by the Trade Union Registration Ordinance membership of a union is restricted to persons 'habitually engaged or employed in the relevant industry' (Hong Kong Research Pro-

ject, 1978). This makes it difficult for trade unions to amalgamate or co-operate with each other. Furthermore, if trade unions want to affiliate to an international organization, they have to get permission from the Governor. All these facts show that the government is suspicious of pressure-group and trade-union activities. It has tried hard to keep them in a weak position.

As mentioned above, the government initiated a series of political reforms and gave opportunities to a number of liberals in the middle of the 1980s. However, the liberals did not have sufficient political power to challenge senior government officials. First, the Legislative Council did not have sufficient authority to check the government. Second, the liberals by nature were also a vested interest group. They did not have a strong motivation to change the status quo radically. Third, the liberals also lacked sufficient public support. The 4 June event in Beijing in 1989 had a double effect on the public. On the one hand, the public formed a very bad impression of the Beijing government. They favoured those politicians who could stand up to it. That is an important reason why the liberals achieved an impressive victory in the 1991 Legislative Council elections: most of their candidates had records of supporting the Chinese students in 1989. However, the 4 June event also gave the public a strong sense of political powerlessness. The public in general was pessimistic about future political development and had low expectations of it. As a result, they were not prepared to commit themselves to any long-term political activities. It is one thing to support the liberals on voting day because the cost is minimal. It is quite another to spend time and money backing the liberals in continuing and unremitting political activities.

In view of these points, it is not difficult to understand why the Hong Kong polity remains centred on civil servants; civil servants continuously enjoy important influence in the policy-making and law-making processes.

Furthermore, the government has put forward comprehensive privatization programmes in various areas such as urban services, railway services, hospital services and housing services. Most of these programmes turn the public services into secondary services targeting mainly the poorest strata (Chiu and Yu, 1992). For example, the government increasingly applies a principle of selectivity to both out-patient clinics and hospital services. On the one hand, it plans to raise fees to a much higher level (Working Party On Primary Health Care, 1990). On the other hand, the 'waivers

system' is expected to expand to look after those who cannot afford the fees. Following this trend there is a potential cut in the benefits available from hospital services, and the status of patients is reduced too; they have to undergo a means test to demonstrate their poverty. This in turn places the service providers in a strong position, they gain the power to judge the eligibility of service applicants. It is important to stress that the change in hospital services is not exceptional; similar changes are found in other fields such as education and public housing services.

### **Conclusion**

I have discussed how the government reduces the adverse effect of social services on capitalism by establishing prohibited areas. These prohibited areas serve to enhance our understanding of the nature of Hong Kong social welfare. Some comparative policy analysts (Cutright, 1965; Wilensky, 1975) attempted to measure governments' commitment to social services by studying their expenditure on these services. However, it is important to note that social services are more than the amount of money spent on them. They carry the potentials of reforming capitalism and promoting social equality. For example, when Titmuss (1974) discussed the definition of social policy, he argued that it should include some measure of progressive redistribution in command-over-resources from rich to poor. By this criterion, the development of social services in Hong Kong is, at best, at a rudimentary stage. While the government devotes increasing amounts of money to social services, it prevents them from challenging the capitalist economy and authoritarian polity; it has established the prohibited areas of strong government, low direct tax rates, surplus budget policy and the dominance of economic policy over social policy. These prohibited areas serve to indicate that the government regards social services mainly as a means to promote capital accumulation and political legitimacy. It does not treat the promotion of social services as an end in itself. As far as these prohibited areas are maintained, the prospect that social services can reform the capitalist economy and authoritarian polity is slight, no matter how large the growth of welfare expenditure.

The case of Hong Kong has some implications for the debate between the classical economists and their critics on the economic success of the Asian NICs. Is Hong Kong a *laissez-faire* economy?

An answer is found in an article in the *Far East Economic Review*: 'Does any country have a pure laissez faire economy? Of course not. Not even Hong Kong' (Leger, 1994: 49). But that does not mean that the private market and the economic value are not important. In fact, they have strong influences on the government's policy and people's lives. Otherwise, the government would not use social services to promote capital accumulation. Nor would it attempt to reduce the decommodifying effects of social services. Thus, as far as Hong Kong is concerned, it is clear that the analysis of the classical economists is not wholly true. But we cannot say it is totally wrong.

### Note

I would like to express my thanks to Professor Eric Sainsbury, OBE, Professor Alan Walker and Mr David Phillips for their valuable comments and criticisms.

### References

- Bacon-Shone, J.H. and Burns, J.P. (1985) 'The Representativeness of the Senior Civil Service in Hong Kong', in Y.C. Jao (ed.) *Hong Kong and 1997*. Hong Kong: Centre of Asian Studies, University of Hong Kong.
- Castells, M. (1992) 'Four Asian Tigers With a Dragon Head', in R.P. Appelbaum and J. Henderson (eds) *States and Development in the Asian Pacific Rim*. Newbury Park, CA: Sage.
- Castells, M., Goh, L. and Kwok, R.Y.W. (1990) *The Shek Kip Mei Syndrome: Economic Development and Public Housing in Hong Kong and Singapore*. London: Pion.
- Chen, E.K.Y. (1979) *Hyper-growth in Asian Economies: A Comparative Study of Hong Kong, Japan, Korea, Singapore and Taiwan*. London: Macmillan.
- Chiu, W.S. and Yu, W.K. (1992) 'The Paradox of Social Service Privatisation of Hong Kong', *The Hong Kong Journal of Social Work* XXVI.
- Chowdhury, A. and Islam, I. (1993) *The Newly Industrialising Economies of East Asia*. London and New York: Routledge.
- Clark, D. (1988) 'Toward A More Open Administration', in I. Scott and J. Burns (eds) *The Hong Kong Civil Service and Its Future*. Hong Kong: Oxford University Press.
- Cutright, P. (1965) 'Political Structure, Economic Development, and National Social Security Programs', *American Journal of Sociology* 70: 537-50.
- Dixon, C. and Drakakis-Smith, D. (1993) 'The Pacific Asia Region', in C. Dixon and D. Drakakis-Smith (eds) *Economic and Social Development in Pacific Asia*. London and New York: Routledge.
- Esping-Andersen, G. (1990) *The Third World of Welfare Capitalism*. Cambridge: Polity Press.
- Fong, Pang Eng (1990) 'The Distinctive Features of Two City-States' Development:

- Hong Kong and Singapore', in P. Berger and H.H Hsiao (eds) *In Search of An East Asian Development Model*. New Brunswick: Transaction Publishers.
- Friedman, M. and Friedman, R. (1980) *Free to Choose: A Personal Statement*. Harmondsworth: Penguin.
- George, V. and Wilding, P. (1985) *Ideology & Social Welfare*. London: Routledge & Kegan Paul.
- Haddon-Cave, P. (1980) 'Introduction — The Making of Some Aspects of Public Policy in Hong Kong', in H. Lethbridge (ed.) *The Business Environment in Hong Kong*. Hong Kong: Oxford University Press.
- Harris, P. (1978) *Hong Kong: A Study in Bureaucratic Politics*. Hong Kong: Heinemann Asia.
- Hayek, F.A. (1944) *The Road to Serfdom*. London: Routledge.
- Ho, H.C.Y. (1979) *The Fiscal System of Hong Kong*. London: Croom Helm.
- Hodge, P. (1981) 'The Politics of Welfare', in J.F. Jones (ed.) *The Common Welfare: Hong Kong's Social Services*. Hong Kong: Chinese University Press.
- Hong Kong Government (1965) *Aims and Policy for Social Welfare in Hong Kong* (White Paper). Hong Kong Government Printer.
- Hong Kong Government (1987) *Address by the Governor, Sir David Wilson, at the Opening of the 1987/88 Session of the Legislative Council*. Hong Kong Government Printer.
- Hong Kong Government (1991) *Social Welfare into the 1990s and Beyond* (White Paper). Hong Kong Government Printer.
- Hong Kong Government (1993) *Second Periodic Report on Hong Kong Regarding Articles 10–15 of the International Covenant on Economic, Social and Cultural Rights*. Hong Kong Government Printer.
- Hong Kong Government Office (1976) 'The Social and Educational Background of Hewing Kong Immigrants in Britain', Talk given by the Representative of Hong Kong Government Office, London, at a conference organized by the National Association for Multi-Racial Education at Glasgow.
- Hong Kong Hansard* (1962) Hong Kong: Government Printer.
- Hong Kong Hansard* (1976–7) Hong Kong: Government Printer.
- Hong Kong Research Project (1978) *Hong Kong: A Case to Answer*. London: The Russell Press.
- Hopkins, K. (1971) 'Housing The Poor', in K. Hopkins (ed.) *Hong Kong: The Industrial Colony*. Hong Kong: Oxford University Press.
- Kuan, H.C. (1979) 'Political Stability and Change in Hong Kong', in T.B. Lin, P.L. Lee and U.E. Simons (eds) *Hong Kong: Economic, Social and Political Studies in Development*. Hamburg: The Institute of Asian Affairs.
- Lau, S.K. (1982) *Society and Politics in Hong Kong*. Hong Kong: The Chinese University Press.
- Lau, S.K. (1987) *Decolonisation with Independence: The Unfinished Political Reforms of the Hong Kong Government*. Hong Kong: Centre for Hong Kong Studies, Institute of Social Studies, The Chinese University of Hong Kong.
- Leger, J. (1994) 'The Boom: How Asian Started the "Pacific Century" Early', *Far Eastern Economic Review*, 24 November.
- Li, S.M. and Yu, F.L. (1985) 'The Redistribution Effects of Hong Kong Public Housing Programme 1976–1986', *Urban Studies* 27.

- Lo, S.H. (1988) 'Decolonization and Political Development in Hong Kong, Citizen Participation', *Asian Survey* XXVIII (6).
- Maclehose, M. (1973) *Speech by His Excellency, the Governor, to the Legislative Council*. Hong Kong Government Printer.
- Minford, P. (1987) 'The Role of the Social Services: A View from the New Right', in Martin Loney (ed.) *The State or the Market: Politics and Welfare in Contemporary Britain: A Reader*. London: Sage in association with the Open University.
- Mirza, H. (1986) *Multi-nationals and the Growth of the Singapore Economy*. Beckenham: Croom Helm.
- Murray, C. (1990) *The Emerging British Underclass*. London: IEA Health & Wealth Unit.
- Offe, C. (1984) *Contradiction of the Welfare State*. Cambridge, MA: MIT Press.
- Olson, M. (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*. New Haven, CT: Yale University Press.
- Owen, C.N. (1971) 'Economic Policy', in K. Hopkins (ed.) *Hong Kong: The Industrial Colony*. Hong Kong: Oxford University Press.
- Rabushka, A. (1979) *Hong Kong: A Study in Economic Freedom*. Chicago, IL: University of Chicago Press.
- Schiffer, J. (1991) 'State Policy and Economic Growth: A Note on the Hong Kong Model', *International Journal of Urban and Regional Research* 15(2): 180-6.
- Scott, I. (1991) 'An Overview of The Hong Kong Legislative Council Elections of 1991', *Asian Journal of Public Administration* 13(2): 11-37.
- Society For Community Organisation (1982) *Annual Report*. Hong Kong: Society for Community Organization.
- South China Morning Post* (1994) 8 January.
- Sung, Y.W. (1986) 'Fiscal & Economics Policies in Hong Kong', in J.Y.S. Cheng (ed.) *Hong Kong in Transition*. Hong Kong: Oxford University Press.
- Titmuss, R.M. (1974) *Social Policy: An Introduction*. London: Allen & Unwin.
- Vogel, Ezra (1991) *The Four Little Dragons*. Cambridge: Harvard University Press.
- Walker, A. (1984) *Social Planning, A Strategy for Socialist Welfare*. Oxford: Basil Blackwell.
- Walker, A. (1990) 'The Strategy of Inequality', in I. Taylor (ed.) *The Social Effects of Free Market Policies*. New York: Harvester Wheatsheaf.
- White, G. and Wade, R. (1988) 'Development States in East Asia: An Introduction', in G. White (ed.) *Development States in East Asia*. London: Macmillan.
- Wilensky, H. (1975) *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure*. Berkeley: University of California Press.
- Wong, C.K. (1992) 'Ideology, Welfare Mix and Production of Welfare. A Comparative Study of Child Day Care Politics in Britain and Hong Kong', unpublished PhD thesis, University of Sheffield, UK.
- Wong, F.M. (1975) 'Industrialisation and Family Structure in Hong Kong', *Journal of Marriage and Family* 37 (4): 985-1000.
- Wong, L. (1994) *Welfare Priorities (Review of Social Welfare Subventions)*, unpublished.
- Working Party on Primary Health Care (1990) *Health for All: the Way Ahead*. Hong Kong: Government Printer.

Woronoff, J. (1986) *Hong Kong: Capitalist Paradise*. Hong Kong: Heinemann Asia.

Youngson, A.J. (1982) *Hong Kong Economic Growth and Policy*. Hong Kong: Oxford University Press.

*Date accepted: April 1995*